From:	ynette
To:	_Regulatory Comments
Subject:	NCUA"s proposed rulemaking for CUSO regulation
Date:	Wednesday, September 14, 2011 2:52:49 PM

Ms. Rupp:

I am writing in response to the NCUA's proposed rulemaking for CUSO regulation. Although it would appear that the regulation is designed to level the playing field between federally- and state-chartered credit unions, the overall effect on a credit union's ability to invest in CUSOs will dramatically change for the worse.

This rule will require NCUA and state regulatory bodies to create a process to evaluate the worth and approve future CUSO investments. Why? The regulation specifically states that credit unions must seek approval if they are under-capitalized or the investment would cause the credit union to fall into the under-capitalized definition. The only justification in the proposal is that "The Board noted that credit unions had experienced losses because they chose to recapitalize insolvent CUSOs." How many losses? Was the amount significant enough to create a new division of the agency to monitor CUSOs? Why wasn't the existing regulation written to simply address that point? Instead, the regulation will promulgate a whole new division of the agency and potentially state agencies (unfunded mandate) dedicated to the valuation of CUSOs and the process of approving those investments.

What will the decision making process entail? This proposal does not address the breadth of the process, the cost, or potential legal implications when a credit union is told they cannot invest. What are the trigger points where regulatory bodies determine they must engage in the investment process? 9% capital? 8% capital? How would an 8% (well capitalized by definition) credit union ever be able to invest 1% into a new CUSO without so much regulatory burden that the process becomes too overwhelming? I see a real potential where the renewed focus on this regulation may stymy both new CUSOs from forming and low capitalized CUSOs from getting help from the industry they serve.

Finally, I am concerned that once this division is formed, the reporting requirements will grow at a significant cost to our CUSOs. Currently, the reporting requirements were purposely left broad by the Board "to preserve maximum flexibility for the agency to adjust its information gathering to the changes in the ways in which CUSOs operate and conduct business." Tomorrow the agency could recommend that CUSOs actually obtain independent third party valuations of the organization without any consideration for cost or proof of need. To leave the reporting requirement out of the regulation is simply another way to lay a heavy hand on CUSOs without due regulatory process.

Credit unions have the capability to invest in many types of vehicles, the majority of which have some type of risk associated with them, but none of which are as vital to our industry as the cooperative businesses formed through CUSOs. To single out the one investment in which the credit union has ownership, participates in its governance and product design, and which guarantees participation seems to be counter-productive to what our industry needs in these economic times.

Please reconsider the need, the value and the burden of this proposal.

Sincerely,

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